

## **SECTION F**

### **GRADE AND PAY RETENTION**

Ref: (a) 5 USC 5361 through 5366  
(b) 5 CFR 536.101 through 536.308  
(c) Federal Register Vol 45, No 77, p. 26519 dtd 18 Apr 80  
(d) CPI 536.S3  
(e) DOD PPP Operations Manual, Chapter 15, Retained Grade Placement Program

Encl: (1) CPI 536  
(2) FPM Supplement 990-2, Book 536, Grade and Pay Retention

Authority for grade and pay retention for GS and FWS employees was granted by the Civil Service Reform Act (CSRA) of 1978. Reference (c) established the Demonstration Project which specifically waived reference (a), stating that CSRA provisions of pay and grade retention are tied more to the GS classification and RIF problems and inflexibilities and are inconsistent with the performance linked pay provisions of the Demo. However, the principle of pay retention for employees reduced in Level in RIF was retained, along with the option of using pay retention in situations such as (but not limited to) placement into Upward Mobility positions and application of new classification standards.

References (a) and (b) require grade retention be granted for 2 years to eligible employees who are downgraded through RIF or reclassification. For reclassification actions the position from which downgraded must have been classified at a higher grade for at least 1 year prior to the downgrade action. For RIF, the employee must have been in a position(s) at a higher grade than the one into which he/she is being placed for at least 52 weeks.

References (a) and (b) authorize pay retention for an indefinite period in the following circumstances:

1. The 2-year grade retention period expires;
2. Reduction or elimination of scheduled rates, special schedule or special rates except for certain statutory reductions;
3. In RIF or reclassification when eligibility requirements for grade retention are not met;
4. On placement in a non-special rate position or a lower special rate position;
5. On placement in a lower wage area or different pay schedule;
6. On placement into a formal employee development program (e.g., Upward Mobility, Career Intern, Apprentice).

Reference (b) also permits heads of agencies to grant grade retention to employees who meet the general eligibility requirements but do not have a specific entitlement. Enclosure (1)

specifies additional instances in which grade and pay retention are authorized with Department of Navy and delegates authority to activity commanders to extend grade or pay retention in other circumstances (to the extent that the intent of the applicable law and regulation is met).

In general, pay retention may be granted to Demo employees (including DP-5s) under the same circumstances as authorized for GS and FWS employees by references (a), (b) and enclosure (1).

**Within NAWCWD, pay retention may also be granted for employees who:**

1. are unfunded or on down-time.
2. are reduced in level through RIF.
3. enter formal upward mobility or other development programs. The program must be established in writing and all potential applicants must have been informed that pay retention would be granted. Therefore, a statement in the vacancy announcement is required.
4. are affected by a reorganization or reclassification. If an employee is or might be affected, requests or is made a voluntary offer of a lower graded position or a position in a lower wage or locality pay area, pay retention may be granted. A reorganization means the planned elimination, addition or redistribution of functions either wholly within an agency or between agencies. The reorganization or reclassification must be announced in writing by management.
5. in other circumstances, approved by the Commander, are in situations similar to, but not specifically authorized by references (a), (b), (d) or this section.

**Pay retention will not be granted when:**

1. employees move at their own request from one locality pay area to a lower pay area.
2. the reduction in pay is initiated by the employee for his or her benefit, convenience of personal advantage.

**NOTE: FPM Supplement 990-2, Book 536, while officially abolished and somewhat dated, still provides excellent examples of grade and pay retention problems. PMA team members are encouraged to use this resource which is provided as enclosure (2).**

**Grade Retention Procedures**

Retained grade applies to GS and FWS employees; it does not apply to Demo employees.

GS employees on grade retention receive the full amount of locality pay for their retained grade and step for the locality area in which they currently work.

FWS employees retain the grade and pay schedule held immediately before the reduction in grade. If the employee relocates to another wage area, use the FWS scale in the new wage area.

The employee's entitlement to retain the higher grade and step continues for the full 2 years, even if a move to a higher wage or locality pay area causes the employee's salary to increase above the original salary from which downgraded.

Premium pay is based on the retained grade and the appropriate regulations that pertain to that pay schedule and grade. A GS employee in a FWS position has premium pay figured according to the rules for GS employees. The payment, however, is based on the duties actually performed.

### **Pay Retention Procedures**

Pay retention applies to GS, FWS or Demo employees (including DP-5s).

When placed on pay retention, employees may retain their current "Base" salary or 150% of the top salary for the grade or pay level that they are placed into, whichever is less. This applies to GS, FWS and Demo employees.

An employee's "Base Pay" on a Special Salary Rate (SSR) is compared to the "Payable Rate" on the new Non-SSR pay chart to set the employee's pay on exiting a Demo SSR.

When an employee on pay retention changes positions, compare the retained rate of "Base" pay with the range of steps or increments in the new position. The employee is entitled to receive the greater of the two.

### **Annual Pay Adjustment Procedures**

Demo employees on pay retention will receive one-half of the annual general salary increases (figured at the top increment of the pay band) and will receive the full amount of the locality pay adjustments (figured at the top increment of the pay band) for their permanent duty station. These are the only two items that can result in an increase in salary for a Demo employee on pay retention. Demo employees on pay retention are also entitled to 100% of the full value of any "I's" or "B's" earned. "I's" will always be "rolled over" and paid in cash just like for employees at top of the pay scale. The dollar value for I's rolled over in this manner will be counted as coming out of the B pool for pay pool management purposes..

**Example:** A DG-2/00, with a "Payable" salary of \$34,490 (basic salary of \$32,300) at China Lake will receive one-half of future "Base" salary increases and 100% of future "Locality Pay Adjustments" until their payable salary either is equal to or exceeds the top payable salary of the China Lake, DG-2 pay band. In 2001, the "Base" salary of a DG-2 increased by \$832 (\$31,798 - \$30,966) and "Locality" pay increased from 6.78% to 7.68%. The employee's new basic salary is \$32,716

**(\$32,300 + \$832/2). The employee's new locality adjustment of \$2,513 (\$32,716 x 7.68%) is added to their new basic salary (\$32,716) and the employee remains a DG-2/00 with a "Payable" salary of \$35,229.**

GS and FWS employees on pay retention receive 50% of any cost of living adjustment to the top step of their current grade. GS employees receive the full amount of the locality pay for the locality pay area in which they currently work. Employees currently occupying special salary rate positions are entitled to 50% of any adjustment to the top step of their current special salary rate position.

### **PPP Registration**

To meet the requirements of references (b) and (e), any employee on grade retention must be registered in Program "R" of the Priority Placement Program. This registration is mandatory. The priority depends on the number of grades the employee was downgraded. Essentially, for the 2 year grade retention period, the employee is on the stopper list for positions at the grade from which demoted. Further information is in reference (e).

### **Loss of Eligibility**

Per references (a) and (b), employees lose their entitlement to grade retention when:

1. a break in service of one workday or more occurs;
2. demoted for personal cause or at the employee's request;
3. placed in, or declined a reasonable offer of a position at a grade equal to or higher than the retained grade; or
4. elected in writing to terminate grade retention.

Per references (a) and (b), employees (including Demo employees) lose their entitlement to pay retention when:

1. a break in service of one workday or more occurs;
2. demoted for personal cause or at the employee's request;
3. declining a reasonable offer of a position at a salary equal to or higher than the retained pay; or
4. entitled to a salary equal to or greater than the retained rate of pay.

## Worksheets

Calculations of pay actions for Demo employees on pay retention are prepared by NAWCWD. Calculations for GS/FWS employees on grade and pay retention are done by the Human Resources Service Center, San Diego. Worksheets are provided in Appendix A for your use.

### Promotion of Employees on Pay Retention

Deleted: —Page Break—

Use the pay setting rules for the system the employee is entering.

Demo – A Demo employee on pay retention is entitled to an increase of up to 10% of the “Payable” salary, not to exceed the maximum “Payable” salary for the new pay band, just as in a promotion of an employee not on pay retention. As always, the actual amount is at management’s discretion.

**Example:** A DG-2/00 at China Lake with a “Payable” salary of \$34,488 is promoted to DG-3. The employee may receive an increase not to exceed \$37,937, which falls between \$37,472 (increment 20) and \$38,053 (increment 21). Therefore, management may promote the employee up to increment 20.

**Example:** A DG-2/00 at China Lake with a “Payable” salary of \$36,581 is promoted to DG-3. A 10% increase would allow for a salary increase up to \$40,239. The top increment of DG-3 has a “Payable” salary of \$38,053. Therefore, that is the maximum the employee can be paid (allowing for only a 4% increase). The employee can be promoted to a DG-3/21, \$38,053.

**Example:** A DG-2/00 at China Lake with a “Payable” salary of \$40,447 is promoted to DG-3. The top increment of DG-3 has a “Payable” salary of \$38,053, which is less than the employee’s current salary. The employee remains on pay retention at the same salary, DG-3/00, \$40,447.

General Schedule (GS) – The employee’s entitlement is based on the scheduled rate of pay (underlying GS scale without locality pay). This includes a special salary rate, if applicable.

Make a comparison of the employee’s two entitlements and give the higher of the two:

1. The first entitlement is the employee’s current scheduled annual rate of pay (that is, the underlying GS scale excluding any locality pay), fit into the “Basic” pay scale of the new grade level and rounded up.
2. The second entitlement is computed from step 10 of the current grade; that is, at least the equivalent of 2 step increases above step 10 of the grade from which promoted.

**Example :** A GS-5/00 employee at Point Mugu with a total salary of \$33,571 (includes \$4218 locality pay) is promoted to GS-7. All entitlements are based on the

**“Basic” pay scales. First, fit \$29,353 (the basic salary, which excludes the locality pay) on the GS-7 scale. “Basic” pay for step 3 is \$28,997 and step 4 is \$29,903. The employee is entitled to GS-7/4. Then, look at the normal 2 step promotion rule from step 10 of the GS-5; \$28,535 plus \$1464 is \$29,999. This falls between step 4, \$29,903 and step 5, \$30,809. Set the pay at GS-7/5, at a “Payable” rate of \$35,236.**

This increase is counted when calculating an employee’s last equivalent increase.

Federal Wage System (FWS) – Use the normal promotion rule for FWS promotions. Add 4% of step 2 of the grade from which promoted to the employee’s retained salary.

**Example: A WG-10/00 with a salary of \$21.20 is promoted to WG-11. The employee is entitled to 4% of WG-10/2 ( $\$18.71 \times .04 = .75$ ). Add .75 to the employee’s retained pay of \$21.20 to get \$21.95. This falls between step 4 (\$21.30) and step 5 (\$22.11). Set pay at the WG-11/5, \$22.11 per hour.**

Additional information is provided in enclosure (2).